

## Message Text

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ACTION AF-08

INFO OCT-01 ISO-00 OPIC-03 COME-00 EB-08 AID-05 IGA-02

XMB-02 DODE-00 CIAE-00 INR-07 NSAE-00 L-03 /039 W

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FM AMEMBASSY MBABANE

TO SECSTATE WASHDC 1501

INFO AMEMBASSY GABORONE

AMCONSUL JOHANNESBURG

AMEMBASSY MAPUTO

AMEMBASSY PRETORIA

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DEPARTMENT PASS OPIC AND USDOC

E.O. 11652: N/A

TAGS: ECON, ELTN, PFOR, WZ

SUBJECT: SWAZILAND RAILROAD AND GOS FOREIGN POLICY

REF: (A) MBABANE 357 (B) MAPUTO 343

1. SWAZILAND RAILROAD, WHICH IS ECONOMIC LIFELINE OF THIS LANDLOCKED NATION, IS ABOUT TO ENTER PERIOD OF CHALLENGE AND POTENTIAL DIFFICULTIES. PROBLEMS OF RAILROAD ARE MICROCOSM OF THOSE FACING SWAZILAND.

2. AS REPORTED REFTTEL A, SECTION OF RAIL LINE FROM KA DAKE TO MANZINI IS CURRENTLY SCHEDULED TO BE CLOSED DOWN (AND POSSIBLY TORN UP) IF CURRENT CONTRACT FOR IRON ORE MINE AT KA DAKE IS NOT EXTENDED BEYOND CURRENT EXPIRATION DATE (ABOUT SEPTEMBER 1978). LOSS OF IRON ORE REVENUES WILL PUT INTO QUESTION ECONOMIC VIABILITY OF REST OF LINE. GOS IS HOPING THAT REOPENING AND EXPANSION OF BARITES MINE NEAR KA DAKE AND EXPANSION OF COAL PRODUCTION AT

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MPAKA CAN BE REALIZED QUICKLY ENOUGH TO KEEP THE LINE PROFITABLE.

3. IN 1976, AS EFFICIENCY AND SAFETY OF LINE DECLINED (DUE MOSTLY TO THE FLIGHT OF PORTUGUESE TECHNICIANS FROM MOZAMBIQUE), AND LABOR PROBLEMS SURFACED HERE, AT LEAST TWO LARGE LOCAL SHIPPERS -- A WOOD PULP COMPANY AND A

SUGAR MILL -- QUIETLY OPENED CARTAGE CONTRACTS WITH RSA TRUCKING FIRMS TO HAUL THEIR PRODUCTS TO DURBAN. CONTRACTS HAVE BEEN REDUCED BUT LEFT OPERATING IN ORDER TO PROVIDE FALL-BACK IF RAIL LINE CONTINUES TO DISTINTEGRATE. REFTTEL B CLEARLY SHOWS THAT THE SWAZIS' WORST FEARS OVER PORT OF MAPUTO ARE RAPIDLY BECOMING REALITIES.

4. UP TO THIS TIME, SWAZILAND'S ONLY RAIL CONNECTION HAS BEEN TO MAPUTO THROUGH WHICH 80 PER CENT OF SWAZILAND'S EXPORTS MOVE (PULP, IRON ORE, COAL, CITRUS, COTTON, SUGAR). DESPITE THEIR VAST IDEOLOGICAL DIFFERENCES, SWAZILAND AND MOZAMBIQUE HAVE FOUND THEMSELVES UNEASY ECONOMIC ALLIES.

5. RECENTLY GOS ANNOUNCED ITS INTENTION TO BUILD RAIL CONNECTION FROM PHUZUMOYA RAIL STATION SOUTH TO THE RSA BORDER TOWN OF GOLLEL FOR TIE-IN WITH SOUTH AFRICAN RAILWAYS. FYI: ANNOUNCEMENT WAS PHRASED TO MAKE CLEAR THAT EVEN THOUGH CONSTRUCTION PLANNED IN 2-3 MONTHS, "FINANCIAL ASPECTS HAVE NOT BEEN FINALIZED." THIS MEANS, GOS STILL LOOKING FOR OUTSIDE FINANCING. END FYI.

6. COMMENT: PURPOSE OF PROPOSED RAIL LINK IS OBVIOUS: IT WILL TIE SWAZILAND INTO SAR SYSTEM, AND OPEN RICHARDS BAY FACILITIES TO THEIR EXPORTS. THEIR TOTAL DEPENDENCE ON MAPUTO WILL BE CUT. WHETHER SWAZIS WILL ACTUALLY MOVE AHEAD ON CONSTRUCTION OR NOT, PROPOSAL FOR LINE CLEARLY SHOWS THAT SWAZIS HAVE NO HESITATION IN UNDERCUTTING STRUGGLING BLACK-RULED LIMITED OFFICIAL USE

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NKTION WHEN IT IS TO THEIR ADVANTAGE TO DO SO. NOR DO SWAZIS SHOW ANY HESITATION IN CREATING CLOSER ECONOMIC TIES WITH SOUTH AFRICA, DESPITE THEIR OFT-PROCLAIMED WISH OF PUTTING DISTANCE BETWEEN THEMSELVES AND RSA.

6. FINALLY, IT IS HIGHLY LIKELY THAT SWAZIS ARE WELL AWARE THAT STILL INCOMPLETE RICHARDS BAY FACILITIES ARE ALREADY 90 PER CENT BOOKED. BUT THEY ARE ALSO AWARE THAT SOUTH AFRICANS ARE RELUCTANT TO CREATE UNNECESSARY FRICTION WITH SWAZILAND AND PUSH SWAZILAND TO CLOSER COOPERATION WITH MOZAMBIQUE. SWAZIS ARE CONTINUING THEIR HIGH-WIRE BALANCING ACT, AND HOPING FOR THE BEST. WACHOB

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## Message Attributes

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